

Buy (unchanged) Target: Euro 8.00 (old: Euro 7.50)

29 | May | 2020

■ Price (Euro) 5.02
52 weeks range 8.44 / 3.74

■ Key Data

ISIN DE000A2DA414
Bloomberg CC1:GR
Reporting standard IFRS
Market Cap (Euro million) 675
Number of shares (million) 134.5
Free Float 18%
Free Float Market Cap (Euro million) 122
CAGR EBITDA ('18 -'21e) 21.4%
CAGR EBITDA pre PPA ('18 -'21e) 10.6%

■ Multiples

	2019	2020e	2021e	2022e
Market Cap / Total revenues	31.6	26.9	28.8	31.1
PE-Ratio	33.5	9.9	8.7	4.2
Dividend Yield	0.0%	0.0%	4.0%	8.0%

■ Key Data per share (Euro)

	2019	2020e	2021e	2022e
Earnings per share (EPS)	0.15	0.51	0.57	1.20
Dividend per share (DPS)	0.00	0.00	0.20	0.40

■ Financial Data (Euro '000)

	2019	2020e	2021e	2022e
Income from letting activities	21,340	25,143	23,445	21,747
Income from inventory disposed of	204,541	309,874	410,341	515,763
Total income	671,115	902,329	1,045,974	1,138,805
Change in project related inventory	192,700	65,478	35,473	47,896
Overall performance	863,815	967,807	1,081,447	1,186,701
Cost of materials	-525,215	-471,253	-605,874	-597,435
Personnel expenses	-67,024	-60,114	-61,449	-62,784
Other operating expenses	-78,551	-102,334	-101,442	-110,321
EBITDA	236,435	324,778	307,532	422,682
EBITDA pre PPA	344,392	446,921	432,091	465,468
Net financial result	-216,506	-212,896	-150,676	-145,802
Pre-tax profit (EBT)	11,486	102,407	144,385	261,413
Taxation	-16,521	-17,486	-39,214	-60,942
Net profit	-20,883	68,364	77,282	161,250

■ Main Shareholders

Aggregate Group 51%
Ado Properties/Adler Real Estate 25%
Christoph Gröner 6%

■ Financial calendar

1H 2020 report 27 August 2020
AGM 1 October 2020
9M 2020 report 26 November 2020

■ Analysts

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Overall performance up 72%, adjusted EBITDA at Euro 57m - reported upfront sales with a GDV of 4.3bn bring the firm's financial ratios in right direction - target up to Euro 8.00, Buy affirmed

Today, the company released the numbers for the first quarter of 2020 and held a conference call. The overall performance was up 72% from Euro 133m at 1Q 2019 to now Euro 228m. Total revenues hiked by 33% from Euro 94m to Euro 126m. The operating profit on EBITDA basis was at Euro 46m compared to last year's Euro 27m. Adjusted EBITDA came in at Euro 57m. The financial expenses of the first quarter reflect the placed bond and the overall increased net debt and hiked from Euro 51m to Euro 80m, leading to a negative pre-tax profit of Euro -27m (1Q 2019: Euro -14m). The bottom line fell from a loss of almost Euro -10m to now Euro -19m.

Already earlier this month, the company released some news regarding several upfront sales. On 8 May, Consus announced the sale of 17 projects in non-core locations with a greater proportion of commercial use and a GDV of Euro 2.3bn to Gröner Group GmbH at a double digit premium to the most recent market value as of FY 2019. The transaction volume amounts to Euro 690m Next to the earnings contribution, the transaction will also reduce the firm's project financing by about Euro 475m. Furthermore, the company intends to acquire the remaining 25% minority stake in Consus RE AG in exchange for 24.75m new Consus shares and a cash component of Euro 27.5m by the means of a capital increase against contribution in kind. On 20 May, the firm announced the sale of an additional 8 development projects, of which 6 projects were in the top 25, with a GDV of Euro 2bn to Partners Immobilien Capital Management. The projects were also sold at a single digit premium and will further reduce project finance by Euro 390m, of which Euro 210m is high cost mezzanine debt. **The effects of both transactions are expected no later than in 3Q and will clearly improve the firm's financial ratios and help to ease our stated concerns regarding the financial position of the company. With the two transactions the firm will reduce its net debt by more than Euro 1bn and, on a pro-forma basis, reduce the cost of debt from 7.8% to 7.4%.** The portfolio excluding the sold projects now consists of 40 projects with a GDV of Euro 8bn, of which 32% have been forward sold or are under LOI/negotiations. About 99% of the projects are now located in the top 9 cities in Germany the residential share has increased to 62%.

While the upfront sales with a total GDV of Euro 4.3bn already significantly exceed the firm's target of Euro 2bn and also our expectation, the management sticks to its guidance of an adjusted EBITDA of Euro 450m. Our estimate was at only Euro 420m due to expected impacts of the Corona pandemic. However, as the sales have already proceeded well, we lift our estimate and now expect an adjusted EBITDA of Euro 447m. While we still see significant room for improvements of the balance sheet and also remain cautious due to the Corona pandemic, we lift our target slightly from Euro 7.50 to Euro 8.00 following the lifted 2020 P&L estimates and the pro forma improved financials. We confirm our Buy rating.

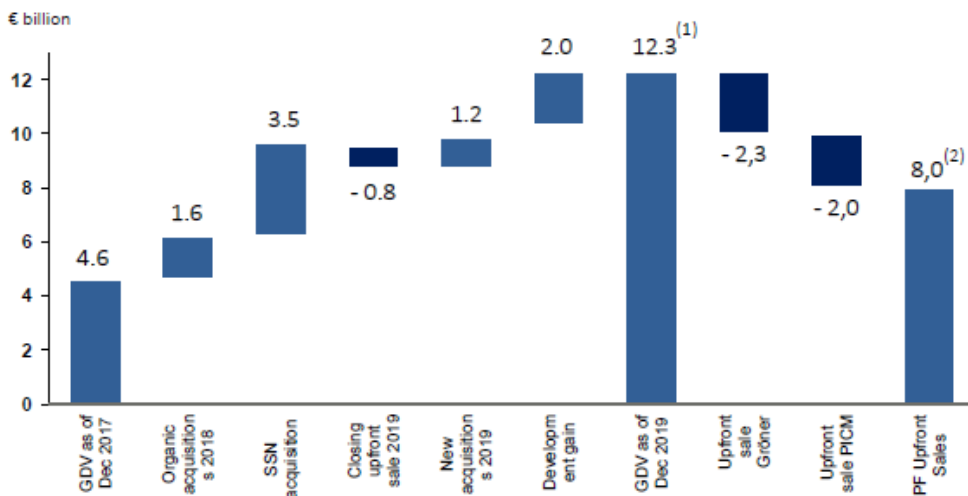
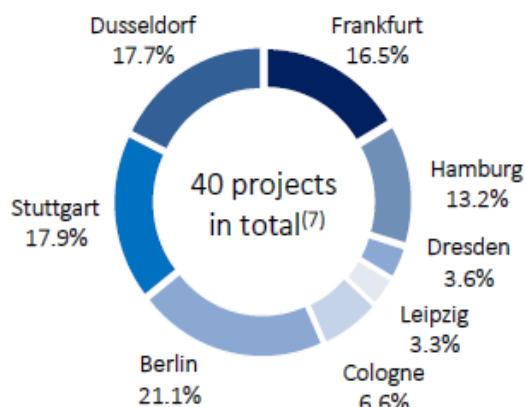
Consus Real Estate AG

Industry:	Real Estate	Management Board of CONSUS:
Sub-segment:	Residential developer	Prof. Andreas Steyer (CEO)
Region:	Germany	Benjamin Lee (CFO)
Headquarter:	Berlin	Theo Gorens (CRO and deputy CFO)
Foundation	2017	
Employees:	>760	
IR Contact:		Supervisory Board of CONSUS:
Robert Stierwald		Axel Harloff
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		Dr. Friedrich Oelrich

Consus Real Estate AG is a leading German residential developer with a focus on the top 9 German cities, which is listed in the German stock market at Scale segment.

Consus was founded in 2017, however, the combined group has already more than 20 years of experience in the development business and dates back to 1995 where CG Group (now renamed to Consus RE), of which Consus holds a 75% stake, was founded. Following the acquisition of SSN in November 2018, the company now has a development portfolio with a pro forma gross development value of Euro 8bn, taking the announced upfront sales into account. The portfolio is focused on the top 9 cities, with the largest share currently located in Berlin (21%), closely followed by Stuttgart (18%). Consus follows a forward sale-oriented business model, thereby minimizing the risk. Of the Euro 8bn portfolio, currently 32% is forward sold, 11% have a signed upfront sale LOI and for another 34% forward sales are targeted. The remaining 22% consists of condominiums.

Pro forma breakdown of the development portfolio by city



Source: Company Data, SRC Research

CONSUS Real Estate AG 31/12 IFRS ('000)	2018 (reported)	2018 (pro-forma)	2019	2020e	2021e	2022e	CAGR '19 - '22e
Income from letting activities	32,796	29,659	21,340	25,143	23,445	21,747	0.6%
Income from real estate inventory disposed of	163,515	163,515	204,541	309,874	410,341	515,763	
Income from property development	408,461	443,830	401,621	544,863	587,632	574,632	12.7%
Income from service, maintenance and management activities	10,199	18,565	43,613	22,449	24,556	26,663	
Total income	614,971	655,569	671,115	902,329	1,045,974	1,138,805	19.3%
Change in project related inventory	-147,352	-31,464	192,700	65,478	35,473	47,896	
Overall performance	467,619	624,104	863,815	967,807	1,081,447	1,186,701	11.2%
Expenses from letting activities	-16,083	-14,741	-8,894	-12,558	-11,447	-10,336	
Cost of materials	-285,600	-367,182	-525,215	-471,253	-605,874	-597,435	4.4%
Valuation result	25,631	25,631	31,943	2,103	3,544	12,478	
Other operating income	13,241	14,642	20,360	1,127	2,753	4,379	
Personnel expenses	-36,911	-50,995	-67,024	-60,114	-61,449	-62,784	
Other operating expenses	-59,997	-75,989	-78,551	-102,334	-101,442	-110,321	
EBITDA	107,901	155,470	236,435	324,778	307,532	422,682	21.4%
Depreciation and amortization	-2,175	-3,026	-8,443	-9,475	-12,471	-15,467	
EBIT	105,726	152,444	227,992	315,303	295,061	407,215	21.3%
Financial income	4,620	11,467	28,160	8,557	8,770	8,983	
Financial expenses	-121,834	-209,783	-244,666	-221,453	-159,446	-154,785	
Pre-tax profit (EBT)	-11,488	-45,872	11,486	102,407	144,385	261,413	
Income tax	11,192	21,617	-16,521	-17,486	-39,214	-60,942	
Tax rate			143.8%	17.1%	27.2%	23.3%	
Net profit before minorities	-296	-24,255	-5,035	84,921	105,171	200,471	
thereof minorities	13,230	n/a	15,848	16,557	27,889	39,221	
Net profit after minorities	-13,526	n/a	-20,883	68,364	77,282	161,250	
Number of shares ('000)	134,526	134,526	134,526	134,526	134,526	134,526	
Earnings per share (incl. minorities)	0.00	-0.18	-0.04	0.63	0.78	1.49	
Earnings per share (after minorities)	-0.10	n/a	0.15	0.51	0.57	1.20	
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.40	
Purchase price allocation (PPA)	82,262	82,262	66,007	122,143	124,559	42,786	
One-off expenses	13,493	15,458	41,950	0	0	0	
EBITDA before PPA	203,656	253,190	344,392	446,921	432,091	465,468	10.6%
Shareholders' Equity (incl. minorities)	1,162,539	1,162,539	1,064,394	1,149,315	1,227,581	1,374,241	8.9%
thereof minorities	151,629	151,629	132,286	135,593	138,305	141,763	
Balance Sheet sum	3,745,050	3,745,050	4,755,315	4,374,890	4,287,392	4,501,762	
Equity Ratio	31.0%	31.0%	22.4%	26.3%	28.6%	30.5%	
RoE (after tax)	0.0%	-2.5%	-0.5%	7.7%	8.8%	15.4%	
Book Value per share (Euro)	7.51	7.51	6.93	7.54	8.10	9.16	9.8%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating Chronicle

Company	Date	Rating	former share price	former target
CONSUS	27/04/2020	Buy	5.12 €	7.50 €
CONSUS	18/12/2019	Buy	8.40 €	10.00 €
CONSUS	13/09/2019	Buy	6.75 €	13.00 €
CONSUS	20/06/2019	Buy	7.34 €	13.00 €
CONSUS	21/05/2019	Buy	8.55 €	13.00 €
CONSUS	25/04/2019	Buy	7.25 €	13.00 €

Please note:

The share price mentioned in this report is from 28 May 2020. CONSUS Real Estate AG mandated SRC Research for covering the share.

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